

Approved For Release '25X1
2008/02/07 :
CIA-RDP85T00875R00150014

Approved For Release
2008/02/07 :
CIA-RDP85T00875R00150014

CIA/OPR FILE 73/08/30 ✓

25X1

Secret



LOAN COPY
Return to DSA
IN1107, HQ.

On file Department of Commerce release
instructions apply.

Economic Intelligence Weekly

State Dept. review
completed

Secret

CIA No. 7775/73
30 August 1973

Copy No. 162

Page Denied

SECRET**CONTENTS**Page**Notes**

International Monetary Developments	1
Polish-US Joint Venture Negotiations	2
Soviet Interest in US Aircraft Manufacturing Facilities	2
West Germany: Another Record Trade Surplus	2
Shipping Boom Continues	2
Kuwait Pressures Oil Concessionaires	3

Articles

Foreign Views on the Multilateral Trade Negotiations: The Tokyo Meetings <i>The GATT ministerial meetings on 12-14 September will set in motion difficult and prolonged bargaining on trade concessions.</i>	4
Trends in US-Canadian Automotive Trade <i>Continuing improvement in the trade balance may produce the first US surplus in four years.</i>	5
Worldwide Grain Developments	7
Premium Prices for Low-Sulfur Oil <i>The rise in prices for low-sulfur oil put pressure on oil prices generally.</i>	8
Japan Now a Leading Supplier of Long-Term Capital Outflows <i>during January-July approached the highest annual US figure since 1950.</i>	9

25X1

Comparative Indicators

**Recent Data Concerning Domestic and External
Economic Activity**

Inside Back Cover

Note: Comments and queries on the contents of this publication are welcomed. They may be directed to

25X1

SECRET

30 August 1973

ECONOMIC INTELLIGENCE WEEKLY

Notes

International Monetary Developments

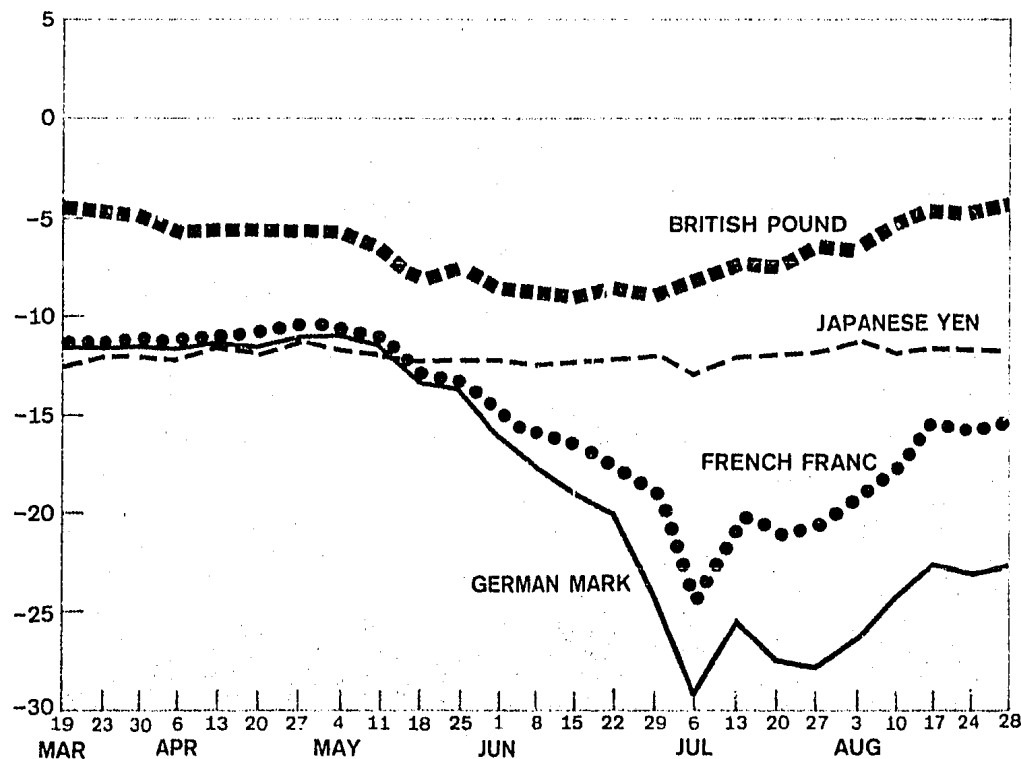
The dollar has continued stable during the past week at levels well above the July lows. Since 6 July, it has gained about 8% relative to the German mark and other currencies participating in the European joint float. A recent decline in Eurodollar deposit rates indicates that banks and multinational firms are once again confident enough to increase their dollar holdings.

25X1

The dollar rally would have been even more impressive if interest rates had not been rising rapidly abroad, as well as in the United States. In addition, Bonn, London, and Tokyo have sold substantial amounts of dollars to keep its rise within bounds.

25X1

PERCENT CHANGE SINCE 2 JANUARY 1973 IN THE VALUE OF THE US DOLLAR RELATIVE TO SELECTED FOREIGN CURRENCIES



SECRET

30 August 1973

SECRET**Polish-US Joint Venture Negotiations**

A Polish firm and Occidental Petroleum are negotiating with Peru to explore jointly for oil in a Polish concession bordering on Occidental's concession. The project would be the first joint venture in petroleum exploration involving a US firm and an East European nation. Lima is trying to drive a hard bargain by offering the two participants less than the 45% of wellhead production granted 25 other foreign companies. [REDACTED]

25X1

Soviet Interest in US Aircraft Manufacturing Facilities

25X1

Soviet officials have been holding discussions with Boeing, McDonnell Douglas, and Lockheed on the possible purchase of high-performance aircraft and the feasibility of establishing manufacturing plants to produce such aircraft. The Soviets may not be interested in purchasing large numbers of such aircraft as the DC-10, L-1011, or Boeing 747; they probably would purchase some to facilitate setting up a plant in the USSR and acquiring US technology. [REDACTED]

25X1

West Germany: Another Record Trade Surplus

A record \$1.4 billion trade surplus for July boosts West Germany's cumulative surplus for this year to \$7.9 billion, an increase of almost 65% over that for the same period last year. A trade surplus of at least \$11 billion for the year now is likely. The extremely favorable trade balance, continuing despite the substantial appreciation of the mark since the beginning of the year, will consolidate West Germany's already liberal attitude toward upcoming GATT negotiations. Surging export sales, however, are frustrating Bonn's anti-inflation efforts at home. [REDACTED]

25X1

Shipping Boom Continues

The demand for shipping services has driven tanker and dry cargo charter rates to their highest levels since the closure of the Suez Canal at the end of 1956. Most available ship tonnage has been pressed into service to handle increased US imports of petroleum from the Persian Gulf, a sharp rise in Japanese and West European oil purchases, and massive imports of grain by the USSR and other countries. The upsurge in freight rates has been accompanied by a significant drop in the volume of ship tonnage laid up around the world. Currently, for example, only 152 small freighters and 30 small tankers are out of service. With grain movements projected to remain high through June 1974, charter rates for dry cargo vessels are unlikely to weaken much. Tanker rates are likely to decline before mid-1974 because of an expected step-up in deliveries of new tankers. [REDACTED]

25X1

SECRET

Kuwait Pressures Oil Concessionaires

The government has asked Gulf Oil and British Petroleum to give up their concession rights and enter into an agreement similar to Iran's - 100% control by the government, with companies continuing to operate the oilfields and market the oil as contractors. Kuwait Minister of Finance and Oil Atiqi scheduled the next negotiating session for 20 September

25X1

Because of its political attractiveness, an Iranian-type agreement with Kuwait, even if financially equivalent to other Arab Persian Gulf agreements, could lead to their renegotiation.

25X1

SECRET

30 August 1973

SECRET**Articles****Foreign Views on the Multilateral Trade Negotiations:
The Tokyo Meetings**

The Tokyo ministerial meetings of 12-14 September, formally opening the multilateral trade negotiations (MTN), will be devoted largely to ceremonial speechmaking and obtaining agreement on the wording of the joint declaration to be issued at the meetings' close. Disagreements will center on the nature of the trade and monetary reform link and on the interests of the developing countries, including the special needs of the least developed among them. The negotiations on specific issues that will finally determine the success of the MTN will not begin until November.

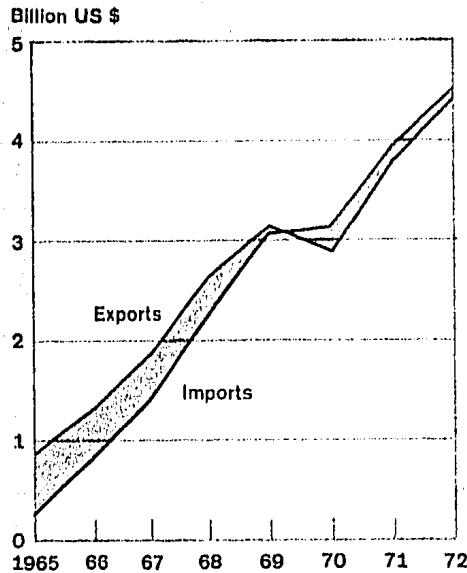
Most of Washington's objectives in the MTN face strong foreign resistance. Many foreign governments prefer only limited trade reform. They are willing to see some reduction in tariffs and non-tariff barriers but not a major restructuring of rules and procedures under GATT. The EC clearly does not want the MTN to dilute the impact of EC enlargement and development. The Community has agreed on a hardline position that could have the effect of casting the negotiations as a US-EC confrontation.

Within the framework of the EC's overall position, each member has particular interests to protect. All agree on the need for reciprocity in trade concessions and the inviolability of EC institutions. In addition, they oppose the US goal of removing tariffs on industrial goods and they favor international commodity agreements. Differences center on the relationship between the MTN and monetary reform, on the role of agriculture in the negotiations, and on trade preferences for the less developed countries. The Germans, British, and Danes are more liberal in their views and more sympathetic to US interests than are the French, who fear a US attack on the foundations of European integration, particularly the CAP.

The Canadians and Japanese have large stakes in the outcome of the MTN but expect to be able to agree to almost any US-EC compromise on basic issues. Ottawa, which is mainly interested in improving access for its exports through tariff cuts and reduction of non-tariff barriers, will back Washington. Tokyo supports the US stand on most major issues, although not the US desire for balanced progress in negotiations on agricultural and industrial trade.

The developing countries will be contentious. They are concerned that the MTN will damage their trade with developed nations. Many disagreements also exist among the developing nations, reflecting differences in stages of development and in degrees of militancy. Cuba and Chile are likely to be the most vociferous in advancing what they see as the developing nations' interests.

25X1

SECRET**Trends in US-Canadian Automotive Trade****United States: Automotive Products Trade With Canada**

The United States is headed toward the first surplus since 1969 in its \$9 billion automotive products trade with Canada. Department of Commerce data show a \$62 million surplus in January-April 1973, compared with a \$100 million deficit during the same period last year. US plants in Canada are substantially exceeding the requirements of the US-Canadian Automotive Agreement concerning production-to-sales and value-added ratios. Nonetheless the US surplus will harden Ottawa's resistance to Washington's current efforts to change these requirements.

The US surplus stems from strong income and employment gains in Canada, which brought a 43% increase in the value of con-

sumers' automobile and truck purchases from a year earlier. This exceptional increase in demand almost halted the growth of automobile shipments from Canada to the United States. At the same time, total Canadian imports of automobiles, trucks, and parts expanded almost twice as fast as shipments of these items to the United States.

	Million US \$		
	<u>January-April</u>		Percent
	1972	1973	Increase
US exports	1,452	1,872	29
Automobiles	311	465	50
Trucks	140	211	51
Parts	1,001	1,196	19
US imports	1,552	1,810	17
Automobiles	751	798	6
Trucks	211	232	10
Parts	590	780	32
US balance			
with Canada	-100	+62	...

SECRET

During January-April, US exports of cars and trucks held their own at 46% of total sales in the Canadian market, and US plants in Canada increased their market share to 35%, compared with 30% a year earlier. This gain was made at the expense of Japanese and European imports, which have been hurt by the higher prices resulting from currency revaluation.

Although tightened credit apparently has begun to slow the Canadian sales boom and may soon moderate import growth, weakening US automobile demand will tend to cut US purchases from Canada as well. Moreover, the US trade balance could benefit slightly from the curtailment of output in US plants in Canada caused by the rail strike. General Motors has closed two large Canadian assembly plants, and Ford is preparing to close some plants because of the lack of parts. A small US surplus in automotive products trade thus seems likely for the full year.

25X1
Z3A1**SECRET**

30 August 1973

SECRET**Worldwide Grain Developments*****India***

According to US embassy officials in New Delhi, India has sufficient food grain supplies to squeeze through with further belt tightening until the main rice harvest in November. India stopped purchasing food grains abroad in early August because of high prices. Earlier purchases and stocks will allow the government to distribute about 800,000 tons of food grains monthly from August through October, some 400,000 tons less than recent monthly levels. Although priority has been given to urban areas, reduced food grain distribution is likely to cause labor unrest and popular demonstrations. Rural areas will largely have to shift for themselves until the fall harvest begins. Good monsoon rains, however, have increased rural supplies of fruits and vegetables. [REDACTED]

25X1

South Africa

The reduction in South Africa's 1973 corn crop, hard hit by drought, is adding to pressures on the US harvest. South Africa's corn exports in FY 1974 will be only a fraction of the 3.2 million tons exported in FY 1973. As a result, Taiwan and West Germany are in the market for large amounts of US corn. [REDACTED]

25X1
25X1***United Kingdom***

Heavy rainstorms have severely damaged Britain's grain crop. Production this year is now expected to reach only 14.5 million tons, compared with earlier expectations of 16 million tons. Wheat is estimated to be down by 3% to 4.6 million tons, increasing Britain's concern about the possibility of US export controls on wheat. Nearly one-half of British wheat demand is already met through imports. The United States provided about one-fifth of these imports in the first half of 1973. [REDACTED]

25X1

SECRET

30 August 1973

SECRET**Premium Prices for Low-Sulfur Oil**

Record high prices for recent sales of government-owned low-sulfur oil are putting pressure on oil prices generally. Under the terms of recent agreements with Libya, Occidental and Oasis oil companies will pay \$4.90 per barrel. Recent contracts for Ecuadorean and Bolivian crude oil have exceeded \$5.00 per barrel. Nigeria and Indonesia have also received offers of \$5.00 per barrel.

The current prices reflect the bidding, particularly by small independent and national oil companies, for limited supplies of government-owned oil. Libya has by far the largest amount, selling 878,000 barrels per day (b/d) - 40% of the country's total production. Of this amount, 570,000 b/d are being sold back to the major companies under the recent participation agreements. Nigeria may have as much as 330,000 b/d for sale, although it is not known how much is being offered at \$5.00 a barrel. Ecuador's sale at \$5.01 per barrel is for considerably less oil, 33,000 b/d. Bolivia sold 1 million barrels over a four-month period.

Several governments are using the new oil prices as a basis for renegotiating long-term contracts with major producers. These negotiations are certain to lead to higher prices.

25X1

**Price Trends for Low-Sulfur Crude Oil
1973**

	US \$ per Barrel							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Nigeria	....	3.15	....	3.55	....	....	....	5.00
Ecuador	....	....	....	....	4.35	....	5.01	5.01
Bolivia	3.03	3.03	3.03	3.03	....	....	....	5.16
Indo-								
nesia	3.73	3.23	3.73	3.73	3.73	3.73	3.73	3.73 ¹
Libya	3.28	3.40	3.60	3.75	....	....	....	4.90

1. Prices of \$4.50 and \$5.00 are being discussed with small producers for oil available on 1 October.

25X1

SECRET

30 August 1973

SECRET**Japan Now a Leading Supplier of Long-Term Capital**

Japan's long-term capital outflows reached almost \$6 billion during January-July 1973, compared with \$2 billion during the same period of 1972. The total for the first seven months of 1973 approached the highest annual outflow recorded by the United States since 1950. The resulting heavy demand for dollars has helped eliminate upward pressure on the yen and has reduced foreign exchange reserves by \$4 billion since February.

To reduce Japan's enormous foreign exchange reserves, Tokyo began to stimulate capital outflows in mid-1972 by dropping the remaining direct controls and by depositing large amounts of dollars in commercial banks, increasing their lending capacity. The government also has used tax inducements to encourage direct investment abroad and the purchase of foreign securities. As a result, Japanese industrial firms have expanded their foreign operations and Japanese banks have channeled large sums to countries with interest rates higher than those at home.

With Tokyo's approval, for example, several major banks have joined foreign banks in issuing syndicated loans. Two such loans have been made to European public utility corporations this year, with the Japanese share totaling \$450 million. Large loans have also been made to US multinational firms, including IBM, as well as to foreign official agencies.

Japanese direct investment activity also is increasing, but it remains small compared with that of the United States. During the first half of 1973, direct investment abroad amounted to about \$620 million -- almost equaling the full-year level for 1972. Much of this investment consisted of purchases of oil concessions in the Persian Gulf. Japanese purchases of foreign securities and the floating of foreign bonds in the Tokyo money market also have served to boost outflows.

Although Japan has emerged as a major capital supplier, outflows are likely to ease in the coming months -- possibly to half or less of the recent rate. Foreign exchange reserves have been reduced to \$15 billion [redacted]

25X1

25X1

To hold reserves near \$15 billion during the next year, long-term capital outflows would have to be reduced to about \$4 billion unless Japan eases its tight controls on capital inflows. Some moves in this direction are now under consideration. [redacted]

25X1

SECRET**30 August 1973**

Page Denied

Next 1 Page(s) In Document Denied

25X1

DOMESTIC ECONOMIC INDICATORS

GNP*						WHOLESALE PRICES					
(Constant Market Prices)						(Industrial)					
Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since			Previous Quarter	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since			Previous Quarter
		1970	1 Year Earlier	3 Months Earlier				1970	1 Year Earlier	3 Months Earlier	
United States	73 II	0.8	5.1	6.4	2.5	United States	Jul 73	0	4.8	7.5	8.3
Japan	73 II	1.4	8.1	13.0	5.9	Japan	Jul 73	2.0	4.8	15.7	17.8
West Germany	73 II	-1.1	3.9	7.2	-4.2	West Germany	Jul 73	0.8	4.9	7.3	7.8
France	73 I	3.3	6.1	5.1	13.8	France	Jun 73	1.4	6.3	13.8	9.1
United Kingdom	73 II	0.7	3.2	5.4	2.8	United Kingdom	Jun 73	1.0	6.7	8.2	3.7
Italy	73 I	0.8	3.1	5.2	3.4	Italy	May 73	1.8	6.9	13.8	20.0
Canada	73 I	2.9	6.3	8.0	2.1	Canada	Jun 73	1.8	7.5	16.1	15.8

INDUSTRIAL PRODUCTION*

United States	Jul 73	1.1	5.7	10.2	8.1
Japan	Jun 73	0.4	9.2	19.4	13.0
West Germany	May 73	1.1	4.2	7.2	-4.4
France	Jun 73	-1.5	7.1	8.9	0
United Kingdom	Jun 73	0.4	3.9	10.4	-1.4
Italy	May 73	9.3	3.4	8.8	51.7
Canada	Jun 73	0.9	7.0	10.8	9.5

CONSUMER PRICES

United States	Jul 73	0.2	4.4	5.7	6.3
Japan	May 73	1.9	7.5	11.1	29.1
West Germany	Jul 73	0.3	6.1	7.5	8.4
France	Jun 73	0.8	6.1	7.4	10.0
United Kingdom	Jul 73	0.4	8.5	9.4	7.0
Italy	Jun 73	0.9	7.2	11.4	14.5
Canada	Jul 73	0.9	5.1	7.7	10.4

RETAIL SALES*

(Current Prices)

United States	Jul 73	3.3	11.8	14.2	16.5
Japan	Mar 73	4.0	12.9	24.8	45.2
West Germany	Jun 73	-1.3	9.3	10.0	11.8
France	May 73	6.7	5.3	13.4	9.5
United Kingdom	Apr 73	-7.2	9.8	11.2	-3.0
Italy	Feb 73	9.0	11.5	18.8	24.1
Canada	Jun 73	0.5	10.4	10.4	-0.3

MONEY SUPPLY*

United States	Jul 73	0.4	7.8	6.7	10.8
Japan	May 73	-0.6	19.0	30.5	26.8
West Germany	Jul 73	-3.4	9.0	3.1	-21.5
France	Mar 73	1.2	12.7	10.4	-2.1
United Kingdom	Jul 73	2.3	12.2	13.0	12.8
Italy	Feb 73	2.1	20.1	18.7	21.5
Canada	May 73	2.3	14.1	17.5	20.3

MONEY-MARKET RATES

Representative Rates		Percent Rate of Interest				
		Latest	12 Months Earlier	3 Months Earlier	1 Month Earlier	
United States	Prime finance paper	Aug 24	9.00	4.83	6.75	8.13
Japan	Call money	Aug 18	7.50	4.25	6.00	7.25
West Germany	Interbank loans (3 months)	Aug 24	3.75	4.75	4.00	4.25
France	Call money	Aug 17	9.38	3.75	7.44	8.00
United Kingdom	Local authority deposits	Aug 17	3.19	4.70	7.24	9.00
Canada	Finance paper	Aug 24	8.25	5.13	6.50	7.50
Euro-Dollars	Three-month deposits	Aug 24	11.50	5.44	6.89	11.19

25X1

*Seasonally Adjusted

30 Aug 73

25X1

EXTERNAL ECONOMIC INDICATORS

		Average Annual Growth Rate Since		
Latest Period	Percent Change from Previous Period	1970	1 Year Earlier	3 Months Earlier
EXPORT PRICES				
(US \$)				
United States	Jun 73	1.0	0.7	4.0
Japan	Jul 73	1.7	2.3	23.3
West Germany	May 73	3.5	1.8	17.9
France	Apr 73	-0.8	2.1	15.8
United Kingdom	Jun 73	3.1	1.2	1.8
Italy	Apr 73	0.9	8.2	9.8
Canada	Apr 73	3.5	6.0	12.5

EXPORTS*

Latest Period	Million US \$	Cumulative (Million US \$)	
		1973	1972
United States	Jul 73	5,869	Jan-Jul 36,158
Japan	Jul 73	3,114	Jan-Jul 19,752
West Germany	Jul 73	6,002	Jan-Jul 35,918
France	Jul 73	3,309	Jan-Jul 20,292
United Kingdom	Jul 73	2,482	Jan-Jul 18,117
Italy	Jun 73	1,937	Jan-Jun 9,479
Canada	Jun 73	2,132	Jan-Jun 11,984

EXPORT PRICES

(National Currency)				
United States	Jun 73	1.0	0.7	4.0
Japan	Jul 73	1.3	1.8	8.0
West Germany	May 73	0.8	1.4	2.3
France	Apr 73	-0.4	4.6	4.8
United Kingdom	Jun 73	1.2	8.6	10.8
Italy	Apr 73	2.6	5.7	10.4
Canada	Apr 73	3.6	4.8	13.0

IMPORTS*

Latest Period	Million US \$	Cumulative (Million US \$)	
		1973	1972
United States	Jul 73	5,762	Jan-Jul 38,881
Japan	Jul 73	2,713	Jan-Jul 16,507
West Germany	Jul 73	4,607	Jan-Jul 28,016
France	Jul 73	3,126	Jan-Jul 19,492
United Kingdom	Jul 73	2,883	Jan-Jul 18,407
Italy	Jun 73	2,212	Jan-Jun 10,720
Canada	Jun 73	1,994	Jan-Jun 11,110

IMPORT PRICES

(National Currency)				
United States	Jun 73	0.4	9.7	16.4
Japan	Jul 73	4.0	5.0	24.0
West Germany	May 73	1.1	0.6	3.8
France	Apr 73	2.4	3.3	5.0
United Kingdom	Jun 73	1.7	1.4	28.4
Italy	Apr 73	3.3	8.5	16.7
Canada	Mar 73	3.4	4.0	6.2

TRADE BALANCE*

Latest Period	Million US \$	Cumulative (Million US \$)	
		1973	1972
United States	Jul 73	107	Jan-Jul -703
Japan	Jul 73	400	Jan-Jul 3,244
West Germany	Jul 73	1,395	Jan-Jul 7,902
France	Jul 73	183	Jan-Jul 801
United Kingdom	Jul 73	-402	Jan-Jul -2,289
Italy	Jun 73	-275	Jan-Jun -1,241
Canada	Jun 73	138	Jan-Jun 874

OFFICIAL RESERVES

Latest Period	End of	Billion US \$		
		June 1970	1 Year Earlier	3 Months Earlier
United States	Jun 73	14.0	16.3	13.3
Japan	Jul 73	15.2	4.1	5.9
West Germany	Jul 73	42.4	8.8	24.8
France	Jul 73	10.4	4.4	9.9
United Kingdom	Jul 73	6.6	2.8	6.1
Italy	Jun 73	6.0	4.7	6.4
Canada	Jul 73	5.8	4.3	6.2

EXCHANGE RATES

As of 24 Aug 73	US \$ Per Unit	Percent Change from			
		Dec 69	18 Dec 71	19 Mar 73	17 Aug 73
Japan (Yen)	0.0038	38.68	16.14	13.58	0.11
West Germany (Deutsche Mark)	0.4056	61.34	30.71	29.54	0.30
France (Franc)	0.2325	15.18	18.08	19.05	0.91
United Kingdom (Pound Sterling)	2.4588	-1.89	-5.63	4.74	-0.23
Italy (Lira)	0.0018	10.31	2.67	2.97	2.08
Canada (Dollar)	0.9956	7.84	-0.22	-0.82	-0.02

TRADE-WEIGHTED EXCHANGE RATES

As of 24 Aug 73	Percent Change from			
	Dec 66	18 Dec 71	19 Mar 73	17 Aug 73
United States	-18.59	-8.04	-8.91	-0.21
Japan	23.86	9.85	7.67	-0.01
West Germany	31.53	14.54	13.44	-0.78
France	-1.56	1.65	2.54	0.33
United Kingdom	-32.77	-18.66	-7.46	-0.79
Italy	-15.18	-14.00	-13.82	1.43
Canada	-4.05	-2.49	-3.85	-0.09

*Seasonally Adjusted

30 Aug 73

25X1